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## CENTRAL INTELLIGENCE AGENCY

## INFORMATION REPORT

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SECURITY INFORMATION

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1. [redacted] Greta Kuckhoff, President of Deutsche Notenbank, East Berlin, told [redacted] that the recent change of economic policy in East Germany was developing, in some respects, along lines not in accord with the intentions which had inspired them.

2. Kuckhoff stated that she agreed, as a matter of expediency, with the necessity of arresting the progress towards complete socialization of the East German economy. Such a step was required, not only because the population was insufficiently educated politically to accept the inevitability of social progress, but also because, from an economic point of view, the policy of relying almost exclusively on trade within the orbit of the Peoples' Democracies had shown itself to have been premature.

3. The Council of Mutual Economic Assistance (CMEA) has been able to do little more than provide a forum for the formulation of excellent projects which were impractical because of overestimates in the various five year plans. This state of affairs had led, in practice, to constant bickering among the delegates of the various nations.

4. Kuckhoff stated that the main reason, however, for calling a halt to further socialization was the political necessity of preparing for the unification of Germany which is the only step calculated to safeguard the peace of the world.

5. She agrees, therefore, with the relaxing of a total planned economy. The stopping of the nationalization of land had become an absolute necessity. The delegation of some of the functions of the state trading organizations to the more important industries was wise, in view of the admitted failure of the DIAs to correlate import and export requirements. She was for the return to private ownership of certain nationalized firms and factories, provided a sound financial basis for such a reversal existed.

6. Kuckhoff was emphatic, however, in her protest against returning to former private owners a multitude of small and medium-sized plants which were nationalized

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because of a poor financial condition or an owner's general incompetence. Moreover, —and she felt this was the last straw— the Ministry of Finance has been given strict instructions to grant any application by one of these owners for a loan which would enable him to start operating his plant again. Such loans, - and many are not small - are being granted almost automatically without any practical security. Even from a capitalist point of view, this practice is indefensible.

7. Kuckhoff concluded that this aspect of the new policy is short-sighted. She does not believe that the restoring to private ownership of these small, financially weak industries, is a sound proposition, from any point of view. Short term loans without any definite allocation of raw materials is no solution. The result can only be a series of typical capitalist bankruptcies.